

VZCZCXRO4732
RR RUEHDE RUEHDIR
DE RUEHMS #0123 0421204
ZNR UUUUU ZZH
R 111204Z FEB 08
FM AMEMBASSY MUSCAT
TO RUEHC/SECSTATE WASHDC 9262
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS MUSCAT 000123

SIPDIS

SENSITIVE
SIPDIS

STATE FOR NEA/ARP, EED/IFD/OMA
COMMERCE FOR ITA THOFFMAN
TREASURY FOR OTA VALVO

E.O. 12958: N/A
TAGS: [ECON](#) [ETRD](#) [PGOV](#) [MU](#)
SUBJECT: SULTAN UNVEILS PRICE STABILIZATION PACKAGE

REF: 07 MUSCAT 1037

11. (U) On February 9, the Sultan announced a series of measures aimed at easing popular discontent over the rising cost of living and higher consumer prices. Most importantly, the Sultan mandated an increase in public sector salaries based on grade status. Those at the bottom of the pay scale will receive a salary increase of 43%, while mid-level grades will receive raises ranging from 7-12%. Those at the higher end of the salary scale will receive a 5% bump, while stipends for government retirees will see a 10% increase over current levels. In addition, the Sultan called for stronger monitoring of retailers for price gouging, reduced the cost of flour through government subsidy, requested immediate recommendations from the committee in charge of studying escalating rental prices, and established a direct line of authority between the Minister of Commerce and Industry and the Director of Consumer Protection.

12. (SBU) In a conversation with Econoff, Salem bin Nasser al-Ismaily, Executive President of the Omani Center for Investment Promotion and Export Development, noted that the package did not address one of the fundamental causes of the price hikes, namely the government's continued commitment to maintaining the dollar peg. "With the dollar declining 42% over the past couple of years, naturally prices are going to be more expensive for products imported from Europe and the UK." He continued that with the strong inflow of oil revenue into Oman, having the Central Bank lower interest rates in step with the Federal Reserve would continue to exacerbate inflationary pressures. "It's exactly the opposite of what we need," stated Ismaily. "We really need to be encouraging savings."

13. (U) Media outlets, however, complemented their reporting of the Sultan's initiatives with headlines such as, "Citizens rejoice after His Majesty orders to ease the cost of living," and widespread praise from the ministers of Commerce and Industry; Manpower; and Social Development. Sayyid Ali bin Hamoud al-Busaidy, Minister of Diwan of Royal Court, noted to the media that, "The government has made great efforts to provide commodities, ensure control, and increase salaries." The media also carried a stern warning from Attorney General Hussain al-Hilali that price manipulators would be punished by up to two years in prison and a USD 1300 fine, along with reports that the Ministry of Commerce and Industry had launched raids on local bakeries. Editorials applauded government actions to address the needs of the people through these measures.

14. (SBU) Comment: The much-publicized unveiling of the Sultan's price stabilization package is a clear indication of

the government's intent to quell public discontent on this issue. The fact that the Sultan himself was out in front on this announcement, vice the Minister of Commerce and Industry, also reflects concern within the government that the public increasingly viewed the Sultan as out of touch with the common Omani on the cost of living. While the surprise announcement of a public-sector salary increase should allay criticism from a sizable contingent of disgruntled Omanis (the great majority of whom are on the government payroll), some of the other initiatives -- such as price monitoring and rental hike recommendations -- appear to be only a restatement of measures previously announced at the ministerial level. End Comment.

GRAPPO